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## THE RIGHTS OF EMPLOYER AND EMPLOYEE TO INVENTIONS MADE BY EITHER DURING THE RELATIONSHIP

THE interesting and difficult question not infrequently arises, what are the respective rights of employer and employee to inventions made by either during the continuance of the relation. While the constantly occurring cases are almost always complicated by special and peculiar facts which must modify to a greater or less extent the decision to be reached in the particular case, it is believed that the following review of the controlling principles and leading cases on the subject will be of assistance.

Since the courts have repeatedly said that "no one is entitled to a patent for that which he did not invent unless he can show a legal title to the same from the inventor or by operation of law," it follows that the mere fact of the existence of the relationship of employer and employee does not, in the absence of contract, expressed or implied, give either party any right to an invention, outside the scope of the employment, made by the other during the continuance of the relationship. The question does not appear to have been squarely raised in the courts though there is much dictum in the cases to be quoted later, throwing light upon the subject.

The right of the employee to contract to do inventing is tacitly recognized and the result of such a contract stated in the following language by the supreme court:—

"If one is employed to devise or perfect an instrument or means for accomplishing a prescribed result he cannot, after successful completion of the work for which he was employed, plead title thereto as against his employer. Whatever rights as an individual he may have had in and to his inventive powers and that which they are able to accomplish, he has sold in advance to his employer."<sup>1</sup>

Specific contracts by an employee agreeing to work for reasonable wages on a certain line of work and turn over all of his inventions so made to the employer are valid and not void on the grounds of public policy or similar grounds.<sup>2</sup> Such contracts have always been considered as coming under the general statute<sup>3</sup> relating to assignments of inventions and the cases based thereon, holding that

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<sup>1</sup> *Solomon v. United States*, 137 U. S. 342, 346.

<sup>2</sup> *Hulse v. Machine Co.*, 65 Fed. Rep. 864, C. C. A.

<sup>3</sup> U. S. Rev. Stats., Sec. 4898.

future assignments of specific inventions for an adequate consideration are valid.<sup>1</sup>

The subject thus being limited to one of contract, expressed or implied, it may be most conveniently treated by considering it under two headings, depending upon whether the employee is specially hired to make or perfect inventions, or makes them while engaged in the course of his ordinary employment.

I. WHERE THE EMPLOYEE IS HIRED TO PERFECT THE INVENTION ALREADY MADE OR TO BE MADE BY THE EMPLOYER.

With regard to this first subdivision, there is, of course, no question for the courts where the employer does all the inventing and the employee does only work requiring "mechanical skill." As soon, however, as the employee begins to think that his "mechanical skill" has turned to inventive skill the trouble begins and we find a long line of cases on the proposition:—

*"Where an employer has conceived a broad invention and employs a mechanic to help him perfect it and in the course of such employment within the scope of the contract, minor inventions are made, such inventions belong to the employer."*

The leading case is *Agawan Woolen Co. v. Jordan*,<sup>2</sup> in which it was sought to defeat certain patents by proving that a mechanic employed to perfect the invention for the patentee was, in fact, the original inventor. The court, speaking through Mr. Justice Clifford, overruled this contention and stated the law on the subject very elaborately as follows:—

"No one is entitled to a patent for that which he did not invent unless he can show a legal title to the same from the inventor or by operation of law; but where a person has discovered an improved principle in a machine, manufacture, or composition of matter, and employs other persons to assist him in carrying out that principle, and they, in the course of the experiments arising from that employment, make valuable discoveries ancillary to the plan and preconceived design of the employer, such suggested improvements are in general to be regarded as the property of the party who discovered the original improved principle, and may be embodied in his patent as a part of his invention.

"Suggestions from another, made during the progress of such experiments, in order that they may be sufficient to defeat a patent subsequently issued, must have embraced the plan of the improvement, and must have furnished such information to the person to whom the communication was made that it would have enabled an ordinary mechanic, without the exercise of any ingenuity and

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<sup>1</sup> *Westinghouse v. Air Brake Co.*, 85 Fed. Rep. 786; *Frick Co. v. Geiser Mfg. Co.*, 100 Fed. Rep. 94, 40 C. C. A. 291.

<sup>2</sup> 7 Wall. 583.

special skill on his part, to construct and put the improvement in successful operation.

"Persons employed, as much as employers, are entitled to their own independent inventions, but where the employer has conceived the plan of an invention and is engaged in experiments to perfect it, no suggestions from an employee, not amounting to a new method or arrangement, which in itself is a complete invention, is sufficient to deprive the employer of the exclusive property in the perfected improvement. But where the suggestions go to make up a complete and perfect machine, embracing the substance of all that is embodied in the patent subsequently issued to the party to whom the suggestions were made, the patent is invalid, because the real invention or discovery belonged to another."

This case appears to have completely disposed of the question before the supreme court; it has, however, been extensively quoted and followed by the circuit courts in *Johnson v. 42nd St. M. & St. N. Ave. R. Co.*<sup>1</sup> *National Feather Duster Co. v. Hibbard*;<sup>2</sup> *Pitts v. Hall*;<sup>3</sup> and by the court of appeals for the district of Columbia, (having jurisdiction in interference cases) in *Milton v. Kingsley*;<sup>4</sup> *Huebel v. Bernard*;<sup>5</sup> *Gedge v. Cromwell*;<sup>6</sup> and *Miller v. Kelley*.<sup>7</sup> The case last cited states as a corollary to the general rule given above that:—

*Where the employer and the employee both claim the invention the presumption is prima facie in favor of the employer.*

The case involved a contest between an expert employer and a roving mechanic of no particular ability. After approving the leading case above, the court concludes:—

"What we hold is, that when, in the course of an experiment by an employer with an invention, a device is suggested for its improvement which in itself would reach the dignity of independent invention, and a dispute arises between employer and employee as to its conception, the presumption is justly in favor of the employer, and it is incumbent on the employee to overcome that presumption by satisfactory proof."

*The presumption just stated may be rebutted.*<sup>8</sup>

II. WHERE IN THE COURSE OF ORDINARY EMPLOYMENT, THE EMPLOYEE MAKES INDEPENDENT INVENTIONS WITHIN THE SCOPE OF THE EMPLOYMENT.

The questions which arise here are several in number and the first to be considered is:—

<sup>1</sup> 33 Fed. Rep. 499.

<sup>2</sup> 9 Fed. Rep. 558, 561.

<sup>3</sup> 2 Blatchf. 229.

<sup>4</sup> 75 O. G. 2193, 5.

<sup>5</sup> 90 O. G. 751.

<sup>6</sup> 98 O. G. 1486.

<sup>7</sup> 96 O. G. 1038, 1040.

<sup>8</sup> *Barr Car Co. v. Chicago & N. W. R. Co.*, 110 Fed. Rep. 972, 974, 49 C. C. A. 194.

Where the employee is hired to do specific inventive work. In the absence of a specific contract which would cover the whole invention the patent therefor does not belong to the employer. The leading case is *Dalzell v. Dueber Manufacturing Co.*,<sup>1</sup> in which case Dueber filed a bill to compel Dalzell to assign the inventions made by him during his employment by Dueber and introduced into Dueber's business. The suit was dismissed on the grounds that there was no contract entitling Dueber to such conveyance.

The cases are, however, uniform in effect that the employer does in such cases acquire a license for the use of the inventions so made. The leading case is *Solomon v. United States*,<sup>2</sup> in which one Clark employed as chief of the bureau of engraving and printing, conceived the idea of a self-cancelling stamp and prepared a die or plate therefor, making use of the services of the employees of the bureau and the property of the government. While his application for a patent was pending, he assigned his rights to the appellant, Solomon, in payment of an account between them. When the patent issued, Solomon notified the government of his title and demanded compensation for the use of the stamp. It further appeared that Clark in his official capacity had been assigned the duty of devising a stamp for this purpose and that there was no understanding that the stamp which he was to devise should be patented or become his personal property. Indeed, before the final adoption of the stamp, he said that the device was his own but he should make no charge to the government therefor as he was employed on a salary by the government and had used its machinery and property in the perfection of the stamp. It was held that having been employed and paid to devise a new stamp, the invention when accomplished, became the property of the government and the patentee had practically sold in advance whatever he might be able to accomplish in that direction. The court, by Mr. Justice Brewer, in deciding the case in favor of the government (p 346) said:—

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<sup>1</sup> 149 U. S. 315. See also *Haggood v. Hewett*, 119 U. S. 226.

<sup>2</sup> 137 U. S. 342. In connection with the main proposition of the Solomon case see also *Lane & Bodley Mfg. Co. v. Locke*, 150 U. S. 193; *Keyes v. Eureka Mining Co.*, 158 U. S. 150; *Wilkens v. Spoffard*, 3 B. & A. 274; *Bensley v. N. W. Horse-nail Co.*, 26 Fed. 250; *American Tube Works v. Bridgewater Iron Co.*, 26 Fed. 334; *Jencks v. Langdon Mills*, 27 Fed. 622; *Herman v. Herman*, 29 Fed. 92; *Blauvelt v. Interior Conduit & Insulation Co.*, 80 Fed. 906, and dictum in *Fry v. Rockwood*, 90 Fed. 494-500, and cases cited in the next subdivision of this article, the cases in the two subdivisions being so interwoven, particularly with *dictum*, that it is frequently very hard to separate them into classes.

"From these facts, standing alone, an obligation on the part of the government to pay naturally arises. The government has no more power to appropriate a man's property invested in a patent than it has to take his property invested in real estate; nor does the mere fact that an inventor is, at the time of his invention, in the employ of the government transfer to it any title to, or interest in it. An employee, performing all the duties assigned to him in his department of service, may exercise his inventive faculties in any direction he chooses, with the assurance that whatever invention he may thus conceive and perfect is his individual property. There is no difference between the government and any other employer in this respect. But this general rule is subject to these limitations. If one is employed to devise or perfect an instrument, or a means to accomplish a prescribed result, he cannot, after successfully accomplishing the work for which he was employed, plead title thereto as against his employer. That which he has been employed and paid to accomplish becomes when accomplished the property of his employer. Whatever rights as an individual he may have had in and to his inventive powers, and that which they are able to accomplish, he has sold in advance to his employer. So, also, when one is in the employ of another in a certain line of work, and devises an improved method or instrument for doing that work, and uses the property of his employer and the services of other employees to develop and put in practical form his invention, and explicitly assents to the use by his employers of such invention, a jury, or a court trying the facts, is warranted in finding that he has so far recognized the obligations of service flowing from his employment and the benefits resulting from his use of the property, and the assistance of the coemployees, of his employer, as to have given to such employer an irrevocable license to use such invention."

While this language unquestionably states the proper rule, it is unfortunately true that the real decision of the case was made largely on the ground that Clark had, by stating that he did not claim the invention estopped himself to set up the claim, and the question of conveyance of the patent to the government was not in issue at all. The only point which is not *dictum* appears to be that of the government's right to make and use the stamps on an implied license.

In commenting on this case in the later case of *Gill v. United States*,<sup>1</sup> cited at length hereafter, the supreme court said:—

"On the other hand, it is equally clear that, if a patentee is employed to invent or devise such improvements, his patents obtained therefor belong to his employer, since in making such improvements he is merely doing what he was hired to do. Indeed, the *Solomon's case* might have been decided wholly upon that ground, irrespective of the question of estoppel, since the finding was that Clark had been assigned the duty of devising a stamp, and it was understood by everybody that the scheme would proceed upon the assumption that the best stamp which he could devise would be adopted and made a part of the revised scheme."

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<sup>1</sup> 160 U. S. 426.

As to the use of devices made before the application was filed, Sec. 4899 of the revised statutes, would control<sup>1</sup> irrespective of the reasoning in the *Solomon* and other cases. The section is as follows.

"Every person who purchases of the inventor or discoverer, or, with his knowledge and consent, constructs any newly invented or discovered machine, or other patentable article, *prior to the application by the inventor or discoverer for a patent*. or, who sells or uses one so constructed, shall have the right to use, and vend to others to be used, the specific thing so made or purchased, without liability therefor."

The class of cases just discussed is not usually so complex as that which follows, for the reason that where a man is employed to do inventive work, the contract should be, and usually is, specific as to the rights of the employer in the inventions; and the contract ordinarily provides for a conveyance of, or a definite license under, the patents.

The next class of cases which most frequently arises, and one which causes much litigation, usually involves the proposition:—

*Where, without any definite contract, the employee, while performing the ordinary duties of his employment, makes inventions useful to and within the scope of said employment, the employer is entitled to use the devices which were put in use during his employment.*

The first important case is *McClurg v. Kingsland*.<sup>2</sup> Here the patentee, Harley, was employed by the defendants at their foundry upon weekly wages, and while so employed, he invented the patented improvements in methods of casting chilled rollers, making experiments in defendants' foundry, and wholly at their expense. The result proving useful, his wages were increased; he continued in their employment, during all which time he made rollers for them, spoke about procuring a patent, and finally made an application, which was granted. He assigned the patent to the plaintiffs, after the defendants had declined his proposition that they should take out a patent and purchase his right. He made no demand upon them for using his improvement, and gave them no notice not to use it, until a misunderstanding had arisen, when he left their employment, and made an agreement with plaintiffs to assign his right to them. The defendants continuing to make rollers upon his plan, the action was brought by the plaintiffs, without any previous

<sup>1</sup> See *Wade v. Metcalf*, 129 U. S. 202; *Magoun v. New England Glass Co.*, 3 B. & A. 114; *Brickhill v. Mayor*, 7 Fed. Rep. 479.

<sup>2</sup> 1 Howard (U. S.), 202.

notice by them. It was held that the facts justified the presumption of a license to use the invention, and that the charge of the court, that the defendants might continue to use the process without liability to the plaintiffs, was correct.

The case appears to be the only one in which a process patent has been at issue under the conditions here in question.<sup>1</sup>

The next leading case, often cited under this heading, is *Solomon v. United States*,<sup>2</sup> already referred to, and the third and latest case is that of *Gill v. United States*.<sup>3</sup> This was a suit for \$94,000, for past use of complainant's patents. The court of claims found the main facts to be that the complainant, Gill, was under the employ of the United States in March, 1881, as a machinist, foreman, and draftsman at the Frankfort Arsenal, and since 1881 as master armorer at such arsenal, receiving during the term of his employment a per diem compensation for his services. His engagement required him to perform manual labor and to exercise his mechanical skill in the service of the government, *but did not require the exercise of his inventive genius in such service, nor secure to the government the right to use any of his inventions without compensation*; that during the time from 1869 to 1882, six patents were granted to him for cartridge-loading and other machines; that at no time did the claimant ever bring his invention before a commanding officer or other agent of the government as a subject of purchase and sale; nor did he ever raise any objection to the use of the invention as set forth, nor did he ever enter into any express agreement, written or oral, whereby a license was granted, or intended to be granted, to the government to operate and use the machine, and the government did not assume to pay him anything for it. The case was decided against the claimant on the principle of estoppel. The court said, p. 430:—

"The principle is really an application or outgrowth of the law of estoppel *in pais*, by which a person looking on and assenting to that which he has power to prevent, is held to be precluded ever afterwards from maintaining an action for damages."

The court quotes at length from all the previous cases, and continues (p. 437):—

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<sup>1</sup> This case undoubtedly states the correct rule, and has been quoted in all the later cases as a foundation case; yet, it seems that it should properly be considered *dictum*, for there was effective evidence in the case of prior use, which, under the statute in force when the suit was brought, but not in force at the time it was heard, should have defeated the patent. The court, however, treated the suit as brought under the later statute, and decided it as noted.

<sup>2</sup> 137 U. S. 342.

<sup>3</sup> 160 U. S. 426.

"Clearly, a patentee has no right, either in law or morals, to persuade or encourage officers of the government to adopt his inventions, and look on while they are being made use of year after year without objection or claim for compensation, and then to set up a large demand, upon the ground that the government had impliedly promised to pay for their use. A patentee is bound to deal fairly with the government, and if he has a claim against it, to make such claim known openly and frankly, and not endeavor silently to raise up a demand in his favor by entrapping its officers to make use of his inventions. While no criticism is made of the complainant, who was a simple mechanic, and, as found by the court of claims, 'a faithful, intelligent and capable employee, whose services were of great value to the government,' and whose conduct was 'fair, honest, and irreproachable,' and while the government appears to have profited largely by his inventive skill, we are of the opinion, for the reasons above stated, that the appeal in his behalf should be addressed to the generosity of the legislature rather than to the justice of the judicial department."

It should be noted that the only question in the case was the recovery for *past* use of the devices and does not involve the right to further multiply the devices and that in view of the statute quoted, (§4899), the part of the case relating to use before the application for patent, was *dictum*. With these limitations the case is the best authority in existence upon the subject.<sup>1</sup>

The principle has been carried still further in the case of *Withington-Cooley Mfg. Co. v. Kinney*,<sup>2</sup> holding, that where the selling of devices was within the scope of the employment and the employee was hired to invent, the employer acquired a license to make and sell throughout the life of the patent. Upon this the court said:—

"Upon this state of facts we conclude that the appellee must be presumed to have granted to Babcock a personal license to make and sell power presses embodying the improvements covered by his patent.

"The object of Babcock in employing Kinney, so far as that employment had relation to patterns for a power press, was to obtain patterns and drawings by which he, as a manufacturer of presses for the trade, might make and supply the trade with presses built on the new design and from the new patterns. This fact was well known to Kinney, and when he accepted employment and produced an improvement it must be presumed that he intended that his employer would use that improvement in such new machines as he should make while engaged in the business of supplying such machines to the trade. We cannot reasonably liken this case to the building of a machine for use. In such a case the license might well be limited to the

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<sup>1</sup> Other cases of more or less interest relating to this principle are:—*Chabot v. American etc. Co.*, 6 Fish, 71; *Barry v. Crane*, 22 Fed. Rep. 396; and *Boston v. Allen*, 91 Fed. Rep. 248.

<sup>2</sup> 68 Fed. Rep. 500, 15 C. C. A. 531.

use of the machine, so long as its identity was preserved. But here Kinney was to make drawings at the expense of Babcock, and then patterns by which a working press might be made for sale and not for shop use.

"We are of the opinion that the license to be presumed, on the facts we have stated, was not limited by the mere life of the patterns, but was intended as an authority to make and sell power presses embodying Kinney's improvement, so long as Babcock should continue in business and during the life of the patent."

Many of the cases which have been merely cited will be found very interesting to one giving a careful study to the main propositions of the paper. They do not, however, materially vary the principles cited in the leading cases quoted at length. As outlined in the opening paragraph, each case which arises must be studied in view of its own facts and among other things which must be taken into careful consideration, are: What sort of a man mentally, *i. e.* with reference to his inventive capacity, is the employer; what sort of a man mentally is the employee; what was the employee hired to do; what did he in fact do; what is the nature of the employer's business, is he a manufacturer, user or vender; what rights, expressed or implied, has the employee given him?

With these facts in mind the case in hand can usually be classified under one of the main subdivisions of this paper which it does not seem necessary or desirable to repeat at length here.

There are also many interesting propositions connected with the subject arising from the assignment of the rights of the employer or the sale of his entire business, as for instance, to a so-called trust, and the rights of such assignee in the matter, which are as yet undetermined in the reported cases, and which must, within the next few years, result in some very interesting work for the courts.

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